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E.O. 12958: N/A

TAGS: [ETRD](#) [ETTC](#) [IZ](#) [TU](#)

SUBJECT: Turkish Trade with Iraq

Ref: State 104141

[11.](#) (U) This cable contains an action request. See para [111](#).

[12.](#) (SBU) Summary: Turkish foreign trade officials emphasized Turkey's desire to gain a share of the commercial opportunities arising from Iraq reconstruction, and implied that special consideration should be given to Turkish companies. They raised concerns about implementation of UN Oil for Food (OFF) Program contracts awarded to Turkish companies. The Foreign Trade Undersecretariat provided limited trade information, but no realistic estimates of the extent of smuggling outside the OFF. End Summary.

[13.](#) (U) Emboffs met with a group of Foreign Trade Undersecretariat officials on April 28 to discuss Turkish trade relations with Iraq (reftel) and share information on Iraq reconstruction. Serhat Gok, Deputy General Director for Exports, chaired the meeting.

[14.](#) (U) OFF Contracts: Gok stated that Turkey's prime concern now was the fate of the Oil for Food Program (OFF) and whether previously approved contracts would go forward. As of the end of Phase 13, Turkey had 182 OFF contracts worth USD 350 million, of which 82 (worth USD 199 million) were approved. The others were still pending. Econoff responded that OFF had been temporarily extended, but that the UN was now giving priority to processing and shipping relief items to Iraq under OFF.

[15.](#) (SBU) Reconstruction: Gok said that trade with Iraq was important for the economy of southeastern Turkey, and particularly of Turkey's trucking sector. He said that about 40 percent of Turkey's 25,000 TIR truck fleet was currently unemployed and hoped that a revival in trade would help put drivers back to work. Gok told us that Turkey hoped to both a prime supplier to U.S. troops and to the reconstruction effort (especially export of construction services, food, medicines). Hinting at a linkage between the U.S. priority treatment of Turkish companies under the Boeing offset program, he implied that Turkish companies should be given special consideration in reconstruction contracts. Emboffs provided Foreign Trade with the Embassy Commercial Service' factsheet on Iraq reconstruction, and responded that Turkish companies were welcome to compete on an equal basis for those commercial opportunities.

[16.](#) (SBU) Trade Facilitation: Foreign Trade noted that the GOT planned to encourage trade by establishing border trade centers in southeastern Turkey, and by opening a second border crossing south of Habur. Gok pointed out that the second border crossing would allow Turkish truckers to avoid passing through the Kurdistan Democratic Party (KDP) territory. He implied that this was desirable not only for political reasons, but also to avoid payment of bribes to KDP officials. A new border crossing would also facilitate Turkish trade with Persian Gulf states, currently discouraged by high transit fees levied by Syria. Comment: The entire length of Turkey's border with Iraq is currently controlled by the KDP on the Iraqi side. Hopefully it will soon be controlled by an Iraqi national border authority. Driving trade away from an area of KDP influence is short-sighted and undesirable, and, in the short-term, impossible. Furthermore, the Turkish border extends only 20 kilometers south of the current Habur crossing. Establishing a new crossing in the same area would appear to have more political than economic justification. Ultimately, the new Iraqi government would have to agree to this new border

crossing; this could not be a unilateral GOT decision.
End comment.

17. (SBU) FTA/MOU: Gok confirmed that the GOT had not signed a free trade agreement with the GOI, but acknowledged that Turkey and Iraq had a trade MOU. Gok declined to answer Emboffs' questions about the MOU and its relationship with OFF, referring us to MFA.

18. (U) Trade Data: Gok provided the following statistics on Turkish exports to Iraq based on figures released by the Turkish exporters unions (year, exports in USD millions):

1999 - 246
2000 - 375
2001 - 706
2002 - 465

Note: In January, other Foreign Trade sources estimated 2002 trade at USD 649.7 million, of which about 500 million was "official" trade. The corresponding figures for 2001 were USD 839.8 and 709.6 million.

19. (U) Asked to estimate the scope of illegal trade taking place outside OFF, Gok said the so-called suitcase trade with all neighboring states to Turkey's south and east amounted to between USD 3.3 and 7 million between 1998 and 2002.

Comment and Action Request

10. (SBU) Foreign Trade's reticence to discuss Turkey's MOU and provide realistic estimates of the scope of past Iraq trade suggests that the scope of this illegal trade was large in relation to Turkey's legal trade with Iraq. Embassy is not able to estimate the scope of this smuggling, but we will continue to discuss these and other issues raised in reftel with other GOT officials and with trade associations. Another meeting on Turkish views on Iraq economic links and reconstruction will be reported septel.

11. (U) Embassy would also appreciate an update on Turkey's pending OFF contracts. Pearson